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DE RUEHLP #2030 2052314
ZNR UUUUU ZZH
R 242314Z JUL 07
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC 4442
INFO RUEHAC/AMEMBASSY ASUNCION 6952
RUEHBO/AMEMBASSY BOGOTA 4306
RUEHBR/AMEMBASSY BRASILIA 8192
RUEHB/AMEMBASSY BUENOS AIRES 5436
RUEHCV/AMEMBASSY CARACAS 2663
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UNCLAS LA PAZ 002030

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SENSITIVE
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E.O. 12958: N/A

TAGS: PGOV PREL EAGR ECON BL BR

SUBJECT: EVO MORALES' WAR ON BIOFUELS

¶1. (U) Recent food shortages, increased food prices, and rising inflation in Bolivia have prompted President Evo Morales to strike out verbally at biofuels. In recent weeks, President Morales' anti-biofuel statements have become heated, echoing those of his political allies Fidel Castro and Hugo Chavez. These comments have also placed President Morales at odds with President Lula de Silva of Brasil, who is a defender of biofuels. Other GOB officials have added additional accusations against biofuels. The Minister of Planning announced July 24 that Bolivia would import more food and attributed food shortages to three factors: the "international tendency" to use food products for biofuels, climate change, and Bolivia's historic lack of self-sufficiency in food. (Note: GOB officials have blamed global warming for other domestic problems, including the flooding of 2006, when President Morales linked the flooding to global climate change and U.S. energy policies. End note.)

¶2. (U) In recent public statements, President Morales alleged rice shortages in Bolivia are linked to use of rice for biofuels, stating: "rice traders informed us that Brazilian entrepreneurs are in Santa Cruz to collect all rice production...in order to produce biodiesel...which will create rice shortages." (Note: rice is not used in biofuel production. End note.) The president of the Agricultural Chamber of the East (CAO) Mauricio Roca declared that Bolivian rice production is sufficient for the domestic market. Despite this reassurance, President Morales announced that all Bolivian small farmers (campesinos) should sow an additional 1.5 hectares of rice, to supplement the internal market and for family use. President Morales has also warned of sugar scarcities, although the Bolivian Institute for External Trade, a private organization, ruled out a possible sugar shortage, saying that in fact there is a surplus of 150,000 tons this year, higher than most years: Gary Rodriguez, director of the Institute, lamented that "they are giving him (Morales) such misinformation."

¶3. (SBU) President Morales has blamed biofuels for the increase in domestic food prices (he has also, somewhat muddle-headedly, stated that there is no inflation in Bolivia, just rising prices.) Bread-makers in Bolivia recently protested for the right to raise their prices, and

the GOB announced that it would begin subsidizing the importation of wheat. On July 22, President Morales charged that the USG no longer provides wheat donations to Bolivia, stating: "In Bolivia since 2005, there are no United States or Canadian donations (of wheat). Why are there no donations of wheat? They are not producing wheat, because wheat cannot be used for biofuels: they set aside fields for corn or for sugar cane which go to biofuel (production)." (Note: In fact, U.S. wheat donations continue under the PL-480 program.) Commenting on the increase in prices, President Morales said, "There is another external factor which I really fear and all Bolivians must prepare to confront: the so-called biodiesel or biofuel." President Morales went on to add that, "It is not possible that our products be used for American scrap instead of for human beings."

¶4. (SBU) Comment: President Morales' attacks on the free-market system are bearing bitter fruit: inflation, higher food prices, and shortages of gasoline and liquefied natural gas. It appears his advisors, and the President himself, would prefer to blame external factors rather than bear the blame themselves, and biofuels make a convenient target. We expect President Morales to continue to make hay out of the biofuels issue and to blame the U.S. and its "policies that create food shortages" in Bolivia and beyond. End comment.

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